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SUBJECT: CODEL HYDE DISCUSSES ECONOMY AND COUNTER-TERRORISM  
ASSISTANCE WITH PRESIDENT ARROYO

REF: MANILA 03401

SENSITIVE BUT UNCLASSIFIED - NOT FOR INTERNET DISTRIBUTION - PROTECT  
ACCORDINGLY

11. (SBU) Summary. Chairman of the House International Relations Committee Henry Hyde and members of his delegation met with President Arroyo and senior GRP officials over dinner August 12. They discussed the improving economy; a potential U.S.-Philippine FTA; plans for the Philippine chairmanship of ASEAN; a Philippine suggestion for a counter-terrorism summit at APEC; and, Burma. President Arroyo expressed deep appreciation for ongoing U.S. development, humanitarian, and military assistance to fight terrorism in Mindanao. Philippine House Speaker de Venecia noted that the Philippines was making no new requests for assistance, now that President Arroyo had put the government on a sound financial footing. President Arroyo said the Philippines only sought a strong partnership with the U.S. End Summary.

12. (U) Chairman of the House International Relations Committee Henry Hyde and Congressmen Dana Rohrabacher, Eni Faleomavaega, Melvin Watt, and Jeff Flake, accompanied by Mrs. Watt, Mrs. Flake, Congressional staff, Charge and Emboff, met with President Gloria Macapagal Arroyo over dinner at Malacanang Palace on August 12. Joining the President were Executive Secretary Eduardo Ermita, House Speaker Jose de Venecia, Secretary of Defense Avelino Cruz, Acting Secretary of Foreign Affairs Franklin Ebdalin, and DFA Assistant

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Secretary for the Americas Rey Carandang.

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Appreciation for U.S. Support  
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13. (SBU) President Arroyo expressed her government's deep appreciation for U.S. support, particularly for the programs implemented by the Joint Special Operations Task Force and USAID in Mindanao, as well as for Philippine defense reform. With U.S. assistance, economic development is underway even in conflict areas such as Jolo and Basilan islands, she remarked, and the joint U.S.-Philippine Balikatan training exercises are resounding successes (REFTEL). Praising the enormously positive impact of the visit of the U.S. Hospital ship Mercy, the President added that she is looking for a way to convert her Presidential yacht for medical missions to Mindanao.

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ASEAN and APEC Issues  
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14. (SBU) President Arroyo described the Philippines' new role as chair of ASEAN and host of the next ASEAN+3 meeting, East Asia Summit, and the ASEAN summit meeting in Cebu this December. Congressman Rohrabacher expressed concerns about engaging in free trade with countries with non-democratic regimes and human rights issues, including China, Burma, and Vietnam. The President said that as the oldest democratic ally of the U.S. in Asia, the Philippines would support democratic reform in these countries. The President and Speaker de Venecia noted that the ASEAN+3 meeting could be an opportunity to bring China, Japan, and Korea together to discuss trade and human rights. President Arroyo proposed a broad counter-terrorism summit of Asian leaders, which could perhaps coincide with the next APEC meeting.

15. (SBU) Congressman Rohrabacher expressed concern that Burma's military regime would use the ongoing visit of Philippine Secretary of Foreign Affairs Alberto Romulo as an opportunity to gain credibility. President Arroyo recounted how she broke with ASEAN to support reporting Burma to the UN Security Council, and assured the Congressmen that Romulo would take a tough line with Burma, pushing for democratic reform and the release of Aung San Suu Kyi.

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Philippine Economy Improving  
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16. (SBU) In a lively presentation, President Arroyo explained how her fiscal reforms are allowing the GRP to repay its debt early, balance its budget by 2008, and invest in critical infrastructure to boost the economy. Speaker de Venecia noted that the Philippines was not requesting additional assistance from the USG due to the President's successful economic reforms. The President said that the Philippines only sought a strong partnership with the U.S. as a treaty ally and number one partner in trade, investment and

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assistance.

17. (SBU) Speaker de Venecia noted that the Philippines is near completion of a free trade arrangement with Japan. He asked if the United States would negotiate a Free Trade Agreement with the Philippines. The Congressmen stated that a Free Trade Agreement would be worth considering, but noted that Presidential Trade Authority is unlikely to be renewed. President Arroyo said she believed it was important to get started on an FTA with the U.S., even if it takes time to complete.

18. (SBU) Regarding trade, President Arroyo remarked that, since the expiration of the U.S. textile quota system in 2003, the Philippines garment industry has suffered great losses due to competition with China, particularly in exporting low-cost goods to the U.S. Over the past year, however, the garment industry recovered from these losses by shifting to production of high-end clothing. The President said the GRP is concerned about competition from Vietnam, now that U.S. markets are open to Vietnamese goods.

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Plans to Improve English Language Proficiency  
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19. (SBU) President Arroyo explained that English language proficiency had decreased markedly in the Philippines since Tagalog became the primary medium of instruction in a period of post-Marcos nationalism in the late 1980's. She directed the Education Department to return to English as the primary medium of instruction in schools, but admitted the government did not have sufficient funds fully to implement the program. She had recently selected Congressman Jesli Lapus as the new Secretary of Education due to his proven record spearheading the country's economic reforms. Now that he is in charge of the department with the largest budget, the President predicted that he would be able to implement her English-language policy, which would create more economic

opportunities for Filipinos, at home and abroad. The President added that she was particularly grateful for the ongoing support of the Peace Corps in English language programs, including those in Mindanao.

110. CODEL Hyde did not have the opportunity to clear this cable.

JONES